

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Melrose Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: December 5, 2019

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY20 (since the amount under the prior schedule was maintained in FY20) and is acceptable under Chapter 32.

We note that the Board adopted a 7.50% investment return assumption which is a reduction from the prior assumption of 7.75%. For comparison, 30 systems currently use a 7.5% assumption and another 59 systems have adopted an assumption of less than 7.50%. We are generally recommending an assumption of 7.25% or less in our 2019 valuations.

As was the case with your prior funding schedule, this schedule completes the amortization of the unfunded actuarial liability (UAL) in FY37. Although this is allowable, our recommendation for more than five years has been for systems to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of another market downturn. Only 12 systems have amortization schedules that extend beyond FY35 and most of these complete the amortization by FY36. We believe the FY35 date would be attainable with modest adjustments to the schedule. We are available to discuss alternative ways a FY35 schedule could be accomplished.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.



**MELROSE RETIREMENT SYSTEM**  
**FUNDING SCHEDULE with 3(8)(C) - 17 years: 4% amortization**  
 RP-2014 adjusted to 2006, projected generationally using MP-2016; 7.50% Discount Rate; New salary scale

<u>Funding Appropriation</u>						
Fiscal Year	Unfunded Liability	Net Normal Cost	Funding Amortization of UAAL	Amortization of Recognized Asset Loss/(Gain)	Net 3(8)(c) Payments	Schedule Contribution
2021	66,187,286	1,468,686	5,007,626	-	69,586	6,545,898
2022	65,768,134	1,534,777	5,207,931	-	69,586	6,812,294
2023	67,511,419	1,603,842	5,416,249	200,436	69,586	7,290,112
2024	66,536,840	1,676,015	5,632,898	208,453	69,586	7,586,952
2025	67,459,946	1,751,435	5,858,214	422,772	69,586	8,102,007
2026	65,767,382	1,830,250	6,092,543	439,683	69,586	8,432,061
2027	63,677,793	1,912,611	6,336,245	457,270	69,586	8,775,711
2028	61,150,600	1,998,679	6,589,694	475,561	69,586	9,133,519
2029	58,141,746	2,088,619	6,853,282	494,583	69,586	9,506,070
2030	54,603,421	2,182,607	7,127,414	514,366	69,586	9,893,973
2031	50,483,764	2,280,824	7,412,510	534,941	69,586	10,297,861
2032	45,726,537	2,383,462	7,709,010	556,339	69,586	10,718,396
2033	40,270,776	2,490,717	8,017,371	578,592	69,586	11,156,266
2034	34,050,424	2,602,800	8,338,066	601,736	69,586	11,612,187
2035	26,993,919	2,719,926	8,671,588	625,805	69,586	12,086,905
2036	19,023,765	2,842,322	9,018,452	650,838	69,586	12,581,197
2037	10,056,061	2,970,227	9,379,190	676,871	69,586	13,095,873
2038	-	3,103,887	-	-	69,586	3,173,473

**Amortization of Unfunded Liability as of July 1, 2020**

Year	Type*	Original Base	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2021	Fresh Start	66,187,286	5,007,626	4.00%	17	5,007,626	17
2023	Asset Loss	2,409,201	200,436	4.00%	15	-	15
2025	Asset Loss	2,212,297	205,980	4.00%	13	-	13

\* Asset Gain/Loss is the amount recognized by the smoothing method in the year shown above